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Abstract Book

**19th Annual International Conference on
Finance
5-8 July 2021, Athens, Greece**

Edited by
Gregory T. Papanikos

2021

Abstracts
19th Annual International
Conference on Finance
5-8 July 2021, Athens, Greece

Edited by Gregory T. Papanikos

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Preface

This book includes the abstracts of all the papers presented at the *19th Annual International Conference on Finance* (5-8 July 2021), organized by the Athens Institute for Education and Research (ATINER).

A full conference program can be found before the relevant abstracts. In accordance with ATINER's Publication Policy, the papers presented during this conference will be considered for inclusion in one of ATINER's many publications.

The purpose of this abstract book is to provide members of ATINER and other academics around the world with a resource through which to discover colleagues and additional research relevant to their own work. This purpose is in congruence with the overall mission of the association. ATINER was established in 1995 as an independent academic organization with the mission to become a forum where academics and researchers from all over the world could meet to exchange ideas on their research and consider the future developments of their fields of study.

It is our hope that through ATINER's conferences and publications, Athens will become a place where academics and researchers from all over the world regularly meet to discuss the developments of their discipline and present their work. Since 1995, ATINER has organized more than 400 international conferences and has published nearly 200 books. Academically, the institute is organized into 6 divisions and 37 units. Each unit organizes at least one annual conference and undertakes various small and large research projects.

For each of these events, the involvement of multiple parties is crucial. I would like to thank all the participants, the members of the organizing and academic committees, and most importantly the administration staff of ATINER for putting this conference and its subsequent publications together. Specific individuals are listed on the following page.

Gregory T. Papanikos
President

**19th Annual International Conference on Finance, 5-8 July
2021, Athens, Greece**

Organizing & Scientific Committee

All ATINER's conferences are organized by the Academic Council. This conference has been organized with the assistance of the following academic members of ATINER, who contributed by reviewing the submitted abstracts and papers.

1. Gregory T. Papanikos, President, ATINER & Honorary Professor, University of Stirling, U.K.
2. Peter Koveos, Head, Accounting and Finance Unit, ATINER & Professor of Finance, Syracuse University, USA.
3. Chris Sakellariou, Vice President of Administration and Finance, ATINER & Associate Professor of Economics, Nanyang Technological University, Singapore.

FINAL CONFERENCE PROGRAM
19th Annual International Conference on Finance, 5-8 July 2021,
Athens, Greece

PROGRAM

Monday 5 July 2021

08.30-09.00
Registration

09.00-09.30

Opening and Welcoming Remarks:

- **Gregory T. Papanikos**, President, ATINER.
 - **Peter Koveos**, Head, Accounting and Finance Unit, ATINER & Professor of Finance, Syracuse University, USA
-

09:30-11:30

1. **Gregory T. Papanikos**, President, ATINER.
Title: The Impact of the Exchange Rates on the Economic Growth of Greece: An Update. (Slides)
 2. **Gerhard Speckbacher**, Professor, Vienna University of Economics and Business, Austria.
Title: How Financial Forecasts Impact Creativity Assessments for New Product Ideas.
 3. **Nicholas Marudas**, Associate Professor, Mercer University, USA.
Title: The Moderating Effect of Nonprofit Organizational Size on the Relation between Revenue Composition and Organization.
-

11:30-13:30

1. **Piotr Fiszeder**, Professor, Nicolaus Copernicus University in Torun, Poland.
Title: Improving Volatility Forecasts: Evidence from Range- Based Models.
 2. **Irina Chiriac**, Senior Researcher, Alexandru Ioan Cuza University of Iași, Romania.
Title: Should the Due Diligence Audit Report Prior to a Merger or Acquisition Contain Information about ESG Factors?
 3. **Huizhu Sun**, Research & Technology Associate, Luxembourg Institute of Science and Technology, Luxembourg.
Title: Does Family Matter? Venture Capital Cross-Fund Cash Flows.
-

13:30-14:30 Lunch

14:30-15:00

Vladimir Levin, PhD Candidate, University of Luxembourg, Luxembourg.
Title: Dark Trading and Financial Markets Stability.

15:00-15:30

Mohammed ALMallak, Assistant Professor, Alasala Colleges, Saudi Arabia.
Title: Factors Hindering the Development of Generic Skills in Accounting Education.

15:30-16:00

Semih Uslu, Assistant Professor, Johns Hopkins University, USA.

Title: Comparing Search and Intermediation Frictions across Markets.

Tuesday 6 July 2021

11:30-12:00

Wanyun Li, PhD Student, Australian National University, Australia.

Title: How do Remediated Internal Controls Trigger Positive Stock Market Reactions?

12:00-12:30

Lidia Loban, PhD Student, University of Zaragoza, Spain.

Title: Determinants of Non-Compliant Equity Funds with EU Portfolio Concentrations Limits.

12:30-13:00

Christoph Reschenhofer, PhD Student, Vienna University of Economics and Business, Austria.

Title: Combining Factors.

13:00-13:30

Peter Koveos, Head, Accounting and Finance Unit, ATINER & Professor of Finance, Syracuse University, USA.

Title: Shadow Banking: Aspirin or Vitamin?

13:30-14:30 Lunch

14:30-15:00

Tracey Niemotko, Professor, Mount Saint Mary College, USA.

Moira Tolan, Professor, Mount Saint Mary College, USA.

Richard Kravitz, Professor, The New York State Society of Certified Public Accountants, USA.

Title: Sustainability Accounting and Reporting: The Accountant's Role Moving Forward.

15:00-15:30

Sylvie Berthelot, Professor, University of Sherbrooke, Canada.

Title: The Example of the Hudson's Bay Compagnie.

15:30-16:00

Michel Coulmont, Professor, University of Sherbrooke, Canada.

Title: Proxy Voting Policy and Corporate Social Responsibility: The Example of the CDPQ.

Mohammed Al Mallak
Assistant Professor, Alasala Colleges, Saudi Arabia

Factors Hindering the Development of Generic Skills in Accounting Education

This study examines the perceptions of Saudi accounting graduates and educators regarding the factors hindering the development of generic skills in accounting education at university (i.e., constraining factors). The lack of generic skills among accounting graduates is an issue of ongoing concern as the gaps between the needs of employers and the skills of graduates hinders the economic development in Saudi Arabia. This concern over the development of generic skills in accounting education in Saudi Arabia provided the motivation for this study.

Using Bui and Porter's (2010) theoretical framework, the study assessed constraints gap of accounting graduates and educators that explained the factors hindering the development of generic skills. The data was collected via a questionnaire (33 Educators; 109 graduates) and an interview (8 educators; 11 graduates). The study examined a list of constraints drawn from prior literature, principally the work of Bui and Porter (2010) and Hassall et al. (2005).

The study revealed a number of constraints hindering the development of generic skills at university, with the most important being the student-related constraint of student ability; students' own motivation and deficiencies in pre-university education, and the institutional constraint of the curriculum being overly theoretical; large class sizes, and insufficient time.

The constraints revealed by the results are in line with those found in earlier research, and suggest a direction for curriculum change and educational reform that may be of value to education providers in Saudi Arabia.

Sylvie Berthelot

Professor, University of Sherbrooke, Canada

Michel Coulmont

Professor, University of Sherbrooke, Canada

&

Nicolas Pelletier

Student, University of Sherbrooke, Canada

Toxic Investors: The Example of the Hudson's Bay Compagnie

In 2017, the Hudson's Bay Company (HBC) posted its lowest market capitalisation since it joined the Toronto Stock Exchange in 2012. It also reported a net loss of CAD\$581 million. This was the second year in a row the Company reported negative results, having suffered a net loss of CAD\$516 in 2016. Despite these substantial losses, one of the Company's major shareholders, serving as governor and chairman of the board, received remuneration of over CAD\$54 million. How can compensation of this size be explained in such a climate of financial insecurity? This objective of this study is to examine a concrete case of the expropriation of minority shareholders by a majority shareholder serving as chairman of the board. Based on an analysis of official documentation the HBC submitted to the Canadian Securities Administrators, the study's aim is to highlight the shortcomings in the Company's governance as concerns its decision to grant one of its major shareholders excessive compensation, despite the firm's precarious financial situation. The case of the HBC can serve to illustrate the concepts of independence in appearance and independence of mind. The first represents the independence communicated by the firm and perceived by the interested parties. However, independence in appearance is not the concept of "independence" sought in the good governance practices enshrined in the codes of good practice and regulations adopted in many Western countries. For its part, the concept of independence of mind is based on an individual's integrity, objectivity and professional scepticism, which is much more difficult, not to say impossible, to define, communicate and regulate. Van de Berghe and Baelden (2005) suggest identifying a priori the circumstantial issues that could impact directors' independence of mind. From this perspective, the example of the HBC shows that the size of board members' compensation and their selection and nomination practices are key factors that can influence their independence of mind. This study will help regulatory bodies identify

regulatory shortcomings, particularly in relation to the definition of director independence, that could be detrimental to the protection of small investors and, in turn, to the proper operation of financial markets.

Irina Chiriac

Senior Researcher, Alexandru Ioan Cuza University of Iași, Romania

Should the Due Diligence Audit Report Prior to a Merger or Acquisition Contain Information About ESG Factors?

The way a company handles environmental, social and governance issues may affect its long-term performance and its valuation. That is why, in today's mergers and acquisitions market, due diligence can seal the deal or break it. Could a complete picture of all relevant risks and opportunities be essential to negotiate the right price and the right conditions for a business? In this article we will study the role of sustainability experts in due diligence audit, more precisely, we will study through a statistical regression model, the connection between the evolution of M&As and a series of environmental, social and governance factors: GDP, inflation, political and climate stability and public debt.

The paper fills the gap in the literature because most studies are concentrated on markets from developed countries at microeconomic level. Also the paper differs from other papers by the methodology used: data sample of Europa over the period 2015–2020 and by adding control variables: contry risk assessment low, resonable and extrem.

The results of our analysis is that between evolution of M&As and environmental, social and governance factors, there is a strong direct link. It is therefore useful to consult the due diligence audit report before proceeding with a transaction.

Michel Coulmont

Professor, University of Sherbrooke, Canada

Sylvie Berthelot

Professor, University of Sherbrooke, Canada

&

Dominique Scantland

Master Student, University of Sherbrooke, Canada

Proxy Voting Policy and Corporate Social Responsibility: The Example of the CDPQ

La Caisse de dépôt et de placement du Québec (CDPQ) is an institutional investor that manages numerous pension plans and public and parapublic insurance plans across the Canadian province of Quebec. Its net assets total over CAN\$333 billion. In addition to its Policy on Responsible Investment, the CDPQ has also adopted a Policy on the Principles Governing the Exercise of Voting Rights of Public Companies in which it invests, following the example of proxy advisory services like Glass Lewis and Institutional Shareholder Services (ISS). The latter policy highlights the CDPQ's commitment to much corporate governance, environmental and social issues, more specifically those respecting workers' rights and conditions, standards of ethical conduct, the outsourcing of activities, sustainable development, and political contributions. The aim of this study is to examine the extent to which CDPQ votes at annual general meetings of the firms in which it invests are consistent with its policy, particularly as concerns votes pertaining to corporate social responsibility issues, in order to determine the legitimacy tactics used by the CDPQ within the framework of this policy (Deegan, 2007). The analyses were based on all CDPQ votes at 1,075 annual general meetings held in 2018 and 2019. This information was obtained from the CDPQ website. At these meetings, 213 votes related to corporate social responsibility issues and of these, 79 went against the CDPQ's policy, reflecting a non-compliance rate of 37%. The analyses also revealed that most departures from the proxy voting policy for the period under study occurred when voting on social issues. The CDPQ has provided explanations for most of the votes that ran counter to its policy. Although a proxy voting policy may be viewed as a legitimising tool, the study results indicate that in 63% of cases, the CDPQ votes serve as indications to the particular firm of the actions expected by a large investor. From the perspective of corporate social responsibility, this type of shareholder engagement can be seen as leverage for change.

Piotr Fiszeder

Professor, Nicolaus Copernicus University in Torun, Poland

Marcin Faldzinski

Assistant Professor, Nicolaus Copernicus University in Torun, Poland

&

Peter Molnar

Assistant Professor, University of Stavanger, Norway

Improving Volatility Forecasts: Evidence from Range-Based Models

Volatility models based on daily high-low range have become increasingly popular because high and low prices are easily available, yet range contains very useful information about volatility. It has been established in the literature that range-based volatility models outperform standard volatility models based on closing prices. However, little is known about which range-based model performs the best. We therefore evaluate two range-based volatility models i.e. CARR and Range-GARCH with the standard GARCH model based on Monte Carlo experiments and wide sample of currencies and stock indices. For simulated series the range-based models outperform the standard GARCH model, and the performance of the Range-GARCH model and the CARR model is similar. However, for real financial time series (six currency pairs and nine stock indices) the Range-GARCH model outperforms both the standard GARCH and CARR models, while ranking of the standard GARCH and CARR models is ambiguous. We therefore consider Range-GARCH as the best from these three models.

Peter Koveos

Head, Accounting and Finance Unit, ATINER & Professor of Finance,
Syracuse University, USA

Shadow Banking: Aspirin or Vitamin? China's Case

The Financial Stability Board defines Shadow Banking as “credit intermediation involving entities and activities outside the regular banking sector.”

In our paper, we offer a basic introduction to Shadow Banking, emphasizing the Chinese experience following the 1978 reforms. Shadow banking is not unique to China, of course. However, it presents a special challenge to China's financial sector development because of its nature. We discuss the pros and cons of Shadow Banking activities within China and offer some potential approaches to the regulation of Shadow banking.

Vladimir Levin

PhD Candidate, University of Luxembourg, Luxembourg

Dark Trading and Financial Markets Stability

This paper examines how the implementation of a new dark order - Midpoint Extended Life Order (M-ELO) on NASDAQ - impacts financial markets stability in terms of occurrences of mini-flash crashes in individual securities. We use high-frequency order book data and apply panel regression analysis to estimate the effect of dark order trading activity on market stability and liquidity provision. The results suggest a predominance of a speed bump effect of M-ELO rather than a darkness effect. We find that the introduction of M-ELO increases market stability by reducing the average number of mini-flash crashes, but its impact on market quality is mixed.

Wanyun Li

PhD Student, Australian National University, Australia

How do Remediated Internal Controls Trigger Positive Stock Market Reactions?

Internal control deficiencies (ICDs) over financial reporting are always a key concern in internal auditing. ICDs increase the likelihood of misstatements in financial reports, undermine the reliability of financial reporting and increase investor uncertainty about firm value. Accordingly, it is necessary for firms to remediate ICDs to restore the quality of financial reporting and resolve investor uncertainty. Before the Sarbanes-Oxley Act (SOX), auditors and investors knew little about ICDs and ICD remediation due to the lack of corporate disclosures on internal controls. SOX was passed in 2002 as a response to a series of accounting scandals at notable firms such as Enron, WorldCom and Tyco. Specifically, sections 302 and 404 of SOX mandate firms to publicly disclose their ICDs to investors. In addition to information on ICDs, firms also disclose their efforts to remediate any identified ICD in 10-K reports. This study focuses on firms' remediation of these ICDs and examines cross-sectional differences in stock price reactions to ICD remediation disclosures under SOX.

Using a sample of 6,232 distinct firms that filed their 10-K reports from 2004 to 2018, I first conduct preliminary analysis and document a negative association between the change in investor uncertainty and stock price reactions to 10-K reports. This is a necessary condition to examine stock price reactions to ICD remediation disclosures conditional on changes in investor uncertainty. I then examine how stock price reacts to ICD remediation disclosures conditional on the reduction of investor uncertainty and find a positive stock price reaction to the ICD remediation disclosure when there is a reduction in investor uncertainty. Further, I provide a series of sensitivity analyses to ensure the robustness of the inferences: (1) the propensity score matching (PSM); (2) the tobit regression; and (3) comparing ICD remediation firms with non-remediation firms only. Overall, the evidence from those sensitivity analyses provides support for a positive stock price reaction to the ICD remediation disclosure conditional on a reduction in investor uncertainty.

The paper extends the literature on ICD remediation disclosures through the following contributions. First, unlike prior research, the paper documents a positive stock price reaction to ICD remediation disclosure that is contingent on a reduction in investor uncertainty. In

addition, the positive stock price reaction remains after classifying firms by their market capitalization and profitability (except for firms that make a loss). Second, adding to prior research, the paper is able to control for the inherent differences between ICD remediation firms and non-ICD firms. The findings indicate that ICD remediation firms have a more positive stock price reaction to their 10-K reports than that of non-ICD firms. Practically, the paper has implications for regulators by highlighting that SOX benefits investors by providing information on ICD remediation to investors. It also encourages managers when facing ICDs to invest in ICD remediation and disclose their ICD remediation plan as this can lead to a positive stock price reaction.

Lidia Loban

PhD Student, University of Zaragoza, Spain

Jose Luis Sarto

Senior Lecturer, University of Zaragoza, Spain

&

Luis Vicente

Senior Lecturer University of Zaragoza, Spain

Determinants of Non-Compliant Equity Funds with EU Portfolio Concentrations Limits

This study is the first to investigate and identify the determinants of domestic equity funds that fail to comply with the portfolio concentration limits of the EU Directive 2009/65/EC (UCITS IV). This study also determines the characteristics of the stocks subject to these non-compliant portfolios. The empirical application to a comprehensive sample of domestic equity funds registered in the Eurozone provides significant information that can help to improve market supervision in terms of investors' protection. Our findings have important implications for policymakers in monitoring defaults by domestic equity funds in the Eurozone mutual fund industry.

Using a large sample of open-end domestic equity funds in 10 Eurozone countries over the 2002-2016 period, we find that both the level of domestic benchmark concentration and the level of the concentration of the domestic fund industry significantly increase the likelihood of non-compliance with the EU portfolio concentration limits. That is, the higher the level of concentration of the benchmark is, the greater the likelihood of finding non-compliant domestic equity funds. Thus, market supervisors should especially monitor domestic equity funds domiciled in countries with highly concentrated domestic benchmarks. The level of concentration of the domestic fund industry also has positive and significant effects on the likelihood in the same line. This evidence is consistent with previous findings in the literature that link competition with active management strategies such as concentrated portfolios. Therefore, policymakers should consider this finding and promote competition to reduce the likelihood of default on EU portfolio concentration limits. Market supervisors should especially monitor domestic equity funds registered in highly concentrated industries in which the market share of few large funds is significantly higher than the market share of the remaining small competitors. Consequently, there is evidence of a positive and robust relationship between the level of concentration of the benchmark, the level of the

concentration of the industry and the likelihood of portfolio weights over the EU concentration limits.

In line with fund characteristics, we show that fund age has a positive and significant effect on portfolio concentration defaults. Additionally, our findings are consistent with the influence of management structures on portfolio concentration strategies.

Focusing on some stock-specific characteristics that influence the likelihood of stocks being subject to noncompliance with the EU legal restrictions, we find that 1) the weight of the stocks in their benchmarks has a positive and significant effect on the EU portfolio concentration defaults, and 2) the stocks that present low volatility have a greater likelihood of being subject to noncompliance with the EU portfolio concentration limits. Furthermore, market supervisors should pay more attention to information asymmetry problems due to their frequency in cases of portfolio concentration over the EU limits.

Finally, to identify stocks subject to default on EU portfolio concentration limits, the previous results should encourage market supervisors to pay more attention to liquid and large-cap stocks with low volatility records. Furthermore, market supervisors should advocate reducing information asymmetry problems to prevent portfolio concentration in the Eurozone industries.

Nicholas Marudas

Associate Professor, Mercer University, USA

The Moderating Effect of Nonprofit Organizational Size on the Relation between Revenue Composition and Organizational

Following Ecer, Magro, and Sarpca (2017), we investigate further whether social enterprise nonprofit organizations (NPOs) are more efficient than other NPOs. Ecer et al. (2017) define social enterprise NPOs as those which rely mainly on program service revenues, and find that social enterprise NPOs are more efficient. We make an important conceptual change to the model of Ecer et al. (2017). Their proxy for efficiency is: (administrative expenses + fundraising expenses) / total revenues. We proxy efficiency as (administrative expenses + fundraising expenses) / total expenses. This is the measure of efficiency used in nearly all prior studies. We hypothesize that their proxy is confounded by the fact that social enterprises NPOs are more likely to run surpluses, and thereby, systematically appear more efficient when the efficiency measure incorporates total revenues.

Tracey Niemotko

Professor, Mount Saint Mary College, USA

Moira Tolan

Professor, Mount Saint Mary College, USA

&

Richard Kravitz

Professor, The New York State Society of Certified Public Accountants,
USA

Sustainability Accounting and Reporting: The Accountant's Role Moving Forward

Today like never before, external stakeholders - investors and creditors - support companies that take an active role in pursuing sustainability goals and social responsibility. Their voice has become a market force that presses businesses to remain competitive by making sustainability accounting and reporting a priority. Companies have thus rerouted their management objectives to incorporate sustainability outcomes. These outcomes have become a basis for internal assessment and the external financial valuation of a company.

The authors will explore how sustainability has impacted American businesses and the future of the accounting profession. After an overview of sustainability definitions, implications, and components, the authors will discuss a brief history of sustainability concepts and practices, including the holistic emphasis on what Elkington (1999) has referred to as the 3P's - the planet, people, and profits. We will also discuss how financial statements may no longer be the critical basis for an effective assessment of American businesses in our global economy.

Sustainability accounting and reporting is the collective term that encompasses how a company measures, manages, and expresses its commitment to its sustainability goals and activities. According to the Sustainability Accounting Standards Board (SASB), a not-for-profit entity that develops sustainability accounting standards and assists businesses with sustainability reporting, sustainability activities can be categorized into five components: environment, human capital, social capital, business model and innovation, and leadership and governance.

According to the Sustainability Accounting Standards Board (SASB), sustainability refers to the corporate activities that maintain or enhance a company's ability to create long-term shareholder value. Incorporating sustainability activities places a company on solid footing

with shareholders, communities, and in some instances, with the global society.

In recent years "corporate sustainability" is often presented as an innovative idea unknown to the business leaders of the past. However, when one reflects on the definition of sustainability, it becomes evident that many well-functioning businesses have respected this concept since the earliest days of industrial development. Ethical proponents of capitalism proposed by Adam Smith in 1776 have always believed in a business's ability to generate wealth for a firm's owners while improving the wider society's standing. The Guinness Brewery is an example of one of the earliest businesses that demonstrated social responsibility, recognizing its importance to its long-term success.

In protecting the public, the accountant's role is to identify institutions that are too good to fail and too strong to fail. But it also demands new tools and techniques to identify great institutions and how we value a business in our postmodern economy.

The consideration of balance sheets, income statements, and cash flow statements in isolation is perhaps a legacy of the past. These financial statements must be considered with sustainability factors if they are to measure corporate value. This was clearly demonstrated by Baruch Lev in his seminal work, *The End of Accounting*. Lev reported that "financial information contributes only 4%-5% of the decision-relevant information for investors."

Gregory T. Papanikos
President, ATINER

The Impact of the Exchange Rates on the Economic Growth of Greece: An Update

This paper is a follow up of a work published in 2015 which looked at the real exchange rate of euro on Greek economic growth from 1961 to 2014. In this study, I provide an update of some of the results obtained in the previous study by using the new data that came out thereafter. In addition, I look with more details into the various phases of the euro-dollar exchange rate from the 1999 to 2022 analyzing daily data. I discern four phases. However, the most important indicator is the real exchange rate which is also examined and related to economic growth of Greece during the euro years.

Christoph Reschenhofer

PhD Student, Vienna University of Economics and Business, Austria

Combining Factors

While the academic literature primarily investigates factor exposures based on covariances (i.e., beta exposure), most practitioners apply characteristics-based scorings to obtain factor portfolios. It hereby remains largely unexplored how firm-level characteristics can be combined to obtain optimal factor portfolios. This paper derives multi-factor portfolios that are formed via a combination of stock characteristic scores. Portfolios that are formed on multiple characteristics are less volatile, and exhibit higher after cost returns compared to the market and single factor portfolios. In addition, return, risk and turnover preferences are very sensitive to buy- and sell-thresholds. We further identify optimal weights for individual factor characteristics, but have to recognize the 1/N factor portfolio as a tough benchmark.

Gerhard Speckbacher

Professor, Vienna University of Economics and Business, Austria

How Financial Forecasts Impact Creativity Assessments for New Product Ideas

The exploration of creative product ideas is a main driver of competitiveness and business growth. According to a longstanding concern, the recognition and appreciation of creative product ideas is inhibited, if businesses consider expected financial outcomes early in the product development process. Since exploration into creative product ideas is characterized by very high chances of failure and payoffs that are far remote and unforeseeable, financial forecasts are inevitably incomplete and financial numbers cannot adequately grasp the value of explorative innovation. Research even argues that firms face a trade-off in allocating their limited resources either towards activities that generate calculable financial results, or towards exploratory activities into new product ideas that do not generate predictable payoffs but rather create the potential for future competitive advantage through product differentiation and long-term market success. Research in accounting, finance, and economics has found evidence that decision-makers can be misguided by financial outcome information when it comes to assessing innovation projects.

Building on this earlier research, this paper analyzes why and when incomplete forecasts on the financial outcomes of early stage product ideas influence the recognition and appreciation of their creative value (commonly referred to as “creativity assessment”). Systematic evidence from new product development shows that financial information is quite commonly used already in early stages of development processes, where such information merely covers necessary implementation cost and early payoffs, while longer-term payoffs are typically hardly predictable and thus get neglected. In contrast to such short-term financial forecasts, creativity assessments are qualitative assessments of a new product idea’s long-term potential. In general, creativity refers to novelty and usefulness. In the context of new product ideas, assessments of creative value refer to the product’s novelty in terms of its degree of distinctiveness from existing products, as well as its potential usefulness for customers. Therefore, creativity assessments of a product idea can be understood as an assessment of the product idea’s long-term potential for product differentiation and for market growth.

This paper analyzes conditions under which evaluators use short-term financial information to a higher or lower extent when making creativity assessments for new product ideas. First, we predict and find experimental evidence that when the economic significance of the assessment is low, individuals rely on financial information as a low-effort heuristic. Second, in line with our main prediction, we find that even when the low-effort explanation does not apply, social-approval concerns make individuals focus on short-term financial information. In other words, decision makers' use of financial information is driven by their belief that such use is socially accepted behavior. In two follow-up experiments, we further analyze the role of social-approval concerns. Our study contributes to a better understanding of why creativity assessments are influenced by short-term financial information.

Huizhu Sun

Research & Technology Associate, Luxembourg Institute of Science and
Technology, Luxembourg

Roman Kraussl

Professor, University of Luxembourg, Luxembourg
&

Kalle Rinne

Risk Manager, Mandatum Life Fund Management S.A., Luxembourg

**Does Family Matter?
Venture Capital Cross-Fund Cash Flows**

Venture capital (VC) funds backed by large multi-fund families tend to perform substantially better due to cross-fund cash flows (CFCFs), liquidity support provided by matching distributions and capital calls within a VC fund's family. The dynamics of this liquidity support coincide with the sensitivity of different stage projects owing to liquidity conditions. We find that the early-stage funds demand relatively more intra-family CFCFs than projects in other stages during liquidity stress periods. We show that the liquidity improvement based on the timing of CFCF allocation reflects how fund families arrange internal liquidity provision and explains a large part of the outperformance.

Semih Uslu

Assistant Professor, Johns Hopkins University, USA

&

Gabor Pinter

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Comparing Search and Intermediation Frictions across Markets

We propose and structurally estimate a search-and-bargaining model to quantify the relative effects of trading frictions across decentralized markets. In our model, clients and dealers are pairwise matched to bargain over terms of trade including price and trade size. Clients are heterogeneous in their exposure to search frictions and dealers are heterogeneous in the size and composition of their client base. This two-sided heterogeneity gives rise to price dispersion across the same dealer's clients ("within dispersion") as well as dispersion of dealer-specific average prices ("across dispersion"). Using transaction-level data from the UK government bond and corporate bond markets, we identify a set of clients who simultaneously trade in both markets. We exploit the cross-market variation in the distributions of trading intensity, trade size, and price to estimate our structural model. We find that the estimated search friction levels play a crucial role in explaining the differences in liquidity across the two of the largest fixed-income markets in Europe, while dealers' market power is small and comparable in the two markets. We also find that the total welfare loss in government and corporate bond markets are 0.6% and 10.9%, respectively, and our decomposition implies that they are almost exclusively caused by search frictions, and not by dealers' market power.